

AR52

M.E.P.C. CANADIAN PROPERTIES LIMITED



ANNUAL REPORT 1970







Board of Directors

Sir Charles E. M. Hardie, C.B.E., F.C.A.
*Chairman of the Board—
Metropolitan Estate and Property
Corporation Limited,
London, England*

W. G. Tucker, Q.C.
*Partner—
Fraser and Beatty,
Toronto, Ontario*

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*President—
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Toronto, Ontario*

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*Vice-President—
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Toronto, Ontario*

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*Director—
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Vancouver, B.C.*

The Hon. Angus Ogilvy
*Director—
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London, England*

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*Chairman of the Board—
The Imperial Life Assurance
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Corporation Limited,
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*Director—
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Company Limited,
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*Partner—
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Winnipeg, Manitoba*

Executive Officers

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Chairman

W. G. Tucker, Q.C.—*Deputy Chairman*

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General Manager*

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Central Region*

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Eastern Region*

G. E. A. Pacaud, LL.B.—*Secretary/Solicitor*

R. H. D. King, C.A., A.C.A.—*Treasurer*

Head Office

27 Wellesley Street East, Toronto 280, Ontario

Auditors

*Campbell, Sharp, Nash & Field,
Chartered Accountants*

Stock Transfer Agent and Registrar

The Royal Trust Company

Bond Trustees

*The Royal Trust Company
Montreal Trust Company*

Shares Listed

The Toronto Stock Exchange

Debenture Warrants Listed

The Toronto Stock Exchange

Bankers

*Bank of Montreal
Canadian Imperial Bank of Commerce
Royal Bank of Canada*

*M.E.P.C. Canadian Properties Limited is a
subsidiary company of Metropolitan Estate and
Property Corporation Limited, London, England.*

REPORT OF THE PRESIDENT TO SHAREHOLDERS



The financial operations for the past year show satisfactory results. The net profit has increased by approximately 25%, representing earnings of 27.2¢ per share as compared to 21.2¢ per share last year. Our gross rental income now exceeds \$8,000,000 per annum and continues to grow at a rapid rate. I draw to your attention the very satisfactory cash flow as shown in the financial statements which has increased by over 100% in two years.

These results are all the more gratifying bearing in mind that several of our major developments were delayed by strikes and other similar problems and are only now approaching completion. As a result, they contributed little or nothing to our earnings for the period.

The company's policy of selective investment in major cities across the country has justified itself this past year. The growth and appreciation in certain areas appears to have more than offset the economic problems which beset other parts of the country.

On October 1st, M.E.P.C. completed the acquisition of United Kingdom Properties Limited, a Vancouver-based property investment company, for a consideration of 400,000 Treasury common shares. This acquisition alone will contribute approximately \$1½ million to our gross income during the 1970/1971 financial year.

The real estate holdings of this newly acquired company consist of three major revenue-producing properties in the Vancouver area together with a site upon which the construction of a new commercial/medical complex will begin almost immediately. These properties are particularly well located and should prove profitable investments in a very dynamic part of the country.

M.E.P.C. will continue its development of industrial and commercial parks. This type of investment has been very successful to date and plans are far advanced for the development of a park on the Queen Elizabeth Way in Toronto and another one in Vancouver. These complexes offer a variety of accommodation from prestige offices to straightforward warehousing. Included in this report are pictures of some typical examples of this type of investment.

We were able again to purchase several well-located income-producing properties in the major Canadian cities and continue to expand our established business of providing new accommodation for Canadian industries on a lease back basis. Our list of tenants grows each year and a selection of these companies is included in this report.

The residential field has now become quite unattractive to M.E.P.C. and I suspect to many other companies in the same business. There is a tendency on the part of many politicians to blame rising rents on landlords, and to completely ignore current high interest rates and the fact that the biggest contributor to ever increasing rents is still real estate taxes which, of course, have to pay for the major portion of soaring education costs and welfare.

Some politicians have tried to solve the problems of high residential rents by introducing vote-catching ideas such as rent control and new landlord and tenant acts. It is unfortunate that restrictions designed to control a small number of people who might not follow normal business ethics often hurt the innocent as well as the guilty. These new regulations, apart from being somewhat biased, are for the most part very cumbersome. As a result, several property investment companies (including M.E.P.C.) are at this time not interested in further developments of residential real estate, leaving with Government the problem of providing living accommodation for the Canadian public.

The real estate industry as a whole appears at long last to be establishing some clear-cut guidelines on accounting matters and industry representation to the public at large. The recently formed Canadian Institute of Public Real Estate Companies will complement the pioneering work of the Urban Development Institute and I am pleased to report that the M.E.P.C. Group has been active in both organizations. We have been particularly active in discussions dealing with the presentation of a true and accurate statement of corporate affairs to the investing public through the media of annual reports.

During the past year Mr. Phillip Cumyn asked the Board to accept his resignation following his retirement to take up residence in Europe. Mr. Cumyn has been associated with the company since its incorporation and we owe him sincere thanks for his wise counsel over the years.

Because of our increasing activities in British Columbia, an invitation was extended to Mr. W. C. Mearns to join the Board of Directors, which I am pleased to say has been accepted.

Any corporation's growth and efficiency depend upon the people who are its staff. In our branches we have built up a team of young men competent not only in management and administration, but in all aspects of the real estate profession.

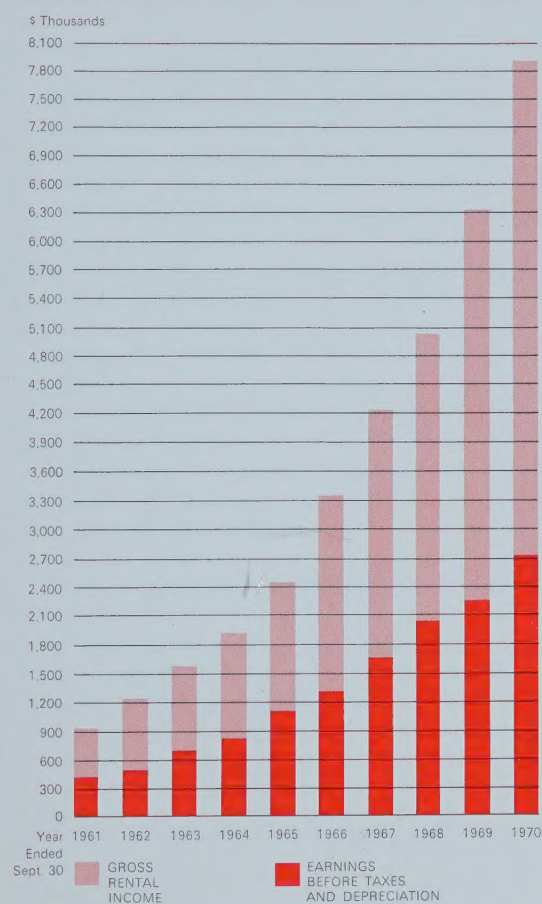
I wish to express appreciation to all members of the staff for their contribution to the success of the past year.

P. A. ANKER
President

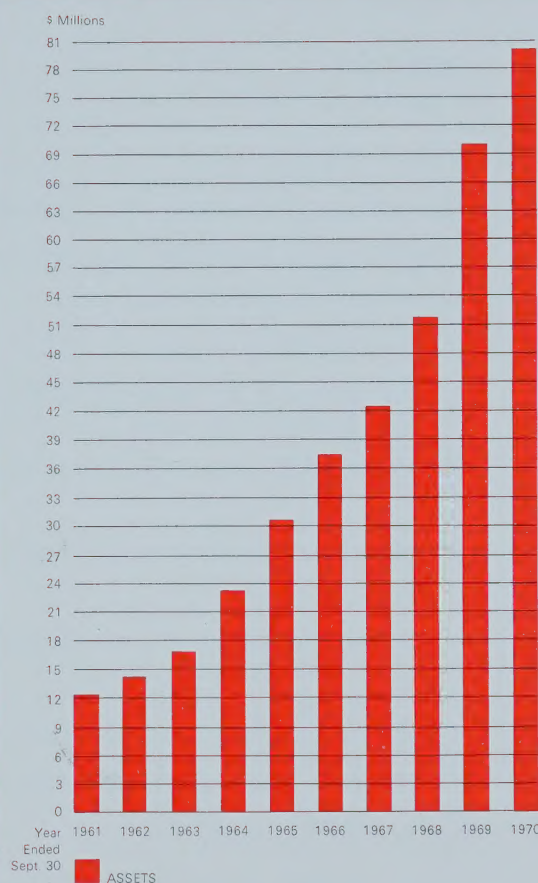
November 16, 1970.

M.E.P.C. CANADIAN PROPERTIES LIMITED AND SUBSIDIARY COMPANIES

INCOME GROWTH



ASSET GROWTH



SUMMARY OF EARNINGS FOR THE FIVE YEARS ENDED SEPTEMBER 30, 1970

(Expressed in thousands of dollars)

	Year Ended September 30				
	1966	1967	1968	1969	1970
Earnings from operations.....	2,492	3,055	3,775	4,329	5,407
Interest—net.....	1,138	1,398	1,726	2,015	2,667
Depreciation on sinking fund basis.....			299	351	412
Depreciation on straight line basis.....	489	605			
Income taxes paid.....		120	145		
Deferred income taxes (note 5).....			735	998	1,125
Net income.....	865	932	870	965	1,203

M.E.P.C. CANADIAN PROPERTIES LIMITED AND SUBSIDIARY COMPANIES

consolidated balance sheet as at September 30, 1970

ASSETS	1970	1969
	(in thousands of dollars)	
Cash.....	\$ 176	\$ 84
Bank deposit receipts and other short-term investments.....	5,001	7,410
First mortgages receivable—due 1969 and 1970.....	—	1,167
Rents and sundry receivables.....	511	265
Prepaid expenses.....	346	190
Properties at cost, less accumulated depreciation of \$3,740; 1969—\$3,296 (notes 2 and 3).....	\$60,082	52,633
Developments in progress at cost (note 2).....	11,274	5,883
	71,356	58,516
Investments in and advances to affiliated companies		
Shares—at cost.....	25	25
First mortgage receivable and advances.....	1,288	1,307
	1,313	1,332
Other first mortgages, loans receivable and agreement for sale.....	427	221
Unamortized financing and other expenses.....	897	821
On behalf of the Board		
P. A. ANKER, Director		
W. G. TUCKER, Director		
	<u>\$80,027</u>	<u>\$70,006</u>

AUDITORS' REPORT

We have examined the consolidated balance sheet of M.E.P.C. Canadian Properties Limited and its subsidiaries as at September 30, 1970 and the consolidated statements of income, surplus and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.



LIABILITIES

	1970	1969
	(in thousands of dollars)	
Bank loans	\$ 6,400	\$ 4,950
Demand loans—secured	4,325	425
Accounts payable and accrued liabilities	3,061	2,217
Long-term debt (note 4)	46,530	44,523
Deferred income taxes (note 5)	2,858	1,733
	<u>63,174</u>	<u>53,848</u>

SHAREHOLDERS' EQUITY

Capital stock (notes 6 and 7)		
Preference shares	2,385	2,442
Common shares	10,064	9,998
Surplus	4,404	3,718
	<u>16,853</u>	<u>16,158</u>
	<u>\$80,027</u>	<u>\$70,006</u>

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at September 30, 1970 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
October 27, 1970.

CAMPBELL, SHARP, NASH & FIELD, *Chartered Accountants.*

M.E.P.C. CANADIAN PROPERTIES LIMITED AND SUBSIDIARY COMPANIES**consolidated statement of income** for the year ended September 30, 1970

	1970	1969
	(in thousands of dollars)	
RENTAL INCOME.....	\$7,910	\$6,311
Less: Direct property expenses (heating, lighting, insurance, repairs and maintenance, municipal taxes, property administration, etc.).....	2,266	1,717
NET RENTAL INCOME.....	5,644	4,594
Less: Interest expense—net (note 8).....	\$2,667	2,015
Administrative and general expense.....	271	288
	2,938	2,303
NET OPERATING INCOME.....	2,706	2,291
Depreciation—buildings (note 3).....	412	351
NET INCOME before the following items.....	2,294	1,940
Gain on sale of property.....	34	—
Gain on disposal of investment in subsidiary company.....	—	23
	2,328	1,963
Provision for income taxes—deferred (note 5).....	1,125	998
NET INCOME for the year.....	<u>\$1,203</u>	<u>\$ 965</u>

consolidated statement of surplus for the year ended September 30, 1970

	1970	1969
	(in thousands of dollars)	
BALANCE, beginning of year.....	\$3,718	\$3,271
Add: Net income for the year.....	1,203	965
Gain on purchase for cancellation of preference shares (note 5)	14	15
	4,935	4,251
Less: Dividends paid—preference shares.....	145	148
—common shares.....	386	385
	531	533
BALANCE, end of year.....	<u>\$4,404</u>	<u>\$3,718</u>



consolidated statement of source and use of funds for the year ended September 30, 1970

	<u>1970</u>	<u>1969</u>
	(in thousands of dollars)	
OPERATIONS		
Net income for the year	\$ 1,203	\$ 965
Depreciation and amortization (note 2)	572	487
Deferred income taxes	1,125	998
	<u>2,900</u>	<u>2,450</u>
Annual payments on long-term debt	1,158	1,113
Funds available from operations	1,742	1,337
Dividends paid	531	533
Funds available from operations for re-investment	1,211	804
 NEW FINANCING		
Additional long-term debt—net	3,165	13,278
Issues of capital stock	66	151
 INCREASE in bank indebtedness and other net current obligations	5,688	4,349
 DECREASE in bank deposit receipts, first mortgages receivable and other short-term investments	3,576	—
	<u>\$13,706</u>	<u>\$18,582</u>
 REPRESENTED BY:		
Investment in:		
Real estate	\$13,331	\$10,372
Affiliated companies	(19)	1,005
Bank deposit receipts, first mortgages receivable and other short-term investments	—	6,788
Redemption of preference shares	42	43
Increase in other assets—net	352	374
	<u>\$13,706</u>	<u>\$18,582</u>

notes to consolidated financial statements for the year ended September 30, 1970

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies. A minority interest in one subsidiary company is not significant and has not been disclosed separately.

2. PROPERTIES AND DEVELOPMENTS IN PROGRESS

Properties and developments in progress are carried in the balance sheet at cost and include interest during construction, property taxes, professional fees and the related portion of certain administrative expenses. During the 1969 and 1970 fiscal years, the following expenses were capitalized as a part of the cost of properties under development:

	1970	1969
Interest on general corporate borrowings	\$651,445	\$364,924
Property taxes	67,196	66,897
Other expenses	214,023	90,497
	<u>\$932,664</u>	<u>\$522,318</u>

Expenditures of \$825,000 will be required to complete the current development program as at September 30, 1970. In addition, the company is committed to expenditures aggregating \$2,600,000 for the acquisition and/or development of new properties.

Long-term financing in an amount aggregating \$9,050,000 has been arranged and will be drawn during the 1971 fiscal year.

3. DEPRECIATION

The company's depreciation policy is based on a sinking fund method under which an amount increasing at the rate of 6% compounded annually is charged to income so as to fully depreciate the buildings based on a 40-year life.

4. LONG-TERM DEBT

Mortgages Payable	\$20,797,518
First Mortgage Sinking Fund Bonds	
Series A, 6¾%, due August 1, 1982—\$125,000 repayable annually	2,244,000
1983 Series, due December 1, 1983	
5½%, U.S. \$2,687,500 repayable in semi-annual instalments of U.S. \$62,500	2,908,815
6½% repayable in semi-annual instalments of \$12,500	518,500
1987 Series, due January 9, 1987	
6¾%, U.S. \$2,632,500 repayable in semi-annual instalments of U.S. \$52,500	2,844,767
1988 Series, due August 1, 1988	
7-15/16%, U.S. \$1,902,500 repayable in semi-annual instalments of U.S. \$32,500	2,037,349
1991 Series, due February 1, 1991	
8½%, \$130,000 repayable on or before August 1, 1971, and thereafter repayable in semi-annual instalments of \$65,000	4,000,000
8%, U.S. \$4,000,000 will be borrowed, subject to the fulfillment of certain conditions, not later than November 30, 1970; U.S. \$130,000 will be repayable on or before August 1, 1971 and thereafter repayable in semi-annual instalments of U.S. \$65,000	
Sinking Fund Debentures	
8%, Series A, due November 1, 1991—repayable in annual instalments of \$227,500 commencing in 1973	7,000,000
Notes Payable	
9¼% (subject to review annually under certain conditions) repayable September 26, 1971	2,000,000
6½-7½%, repayable \$117,000 April 1, 1985, and \$118,000 December 1, 1987	235,000
Unsecured Advance from Parent Company	
7¾%, U.S. \$1,800,000 repayable December 4, 1972	1,944,000
	<u>\$46,529,949</u>

Long-term debt payable in United States funds has been expressed in Canadian dollars at the rate of exchange prevailing when the funds were received.

Mortgages payable are subject to interest rates varying from 5¾% to 9½%, mature at various dates in the fiscal years 1971 to 1994 and are repayable approximately as follows:

Fiscal Year		Fiscal Year	
1971	\$750,831	1974	\$ 926,480
1972	893,754	1975	1,372,629
1973	714,014	Subsequent to 1975	16,139,810
			<u>\$20,797,518</u>

5. INCOME TAXES

The company claims maximum capital cost allowances for income tax purposes which exceed recorded depreciation and, in addition, claims in the year incurred, interest and other expenses capitalized in the accounts. In 1969, the company adopted the policy of recording deferred income taxes in accordance

with the recommendations issued by the Canadian Institute of Chartered Accountants; income taxes deferred for 1968 and subsequent years have been recorded in the accounts while amounts aggregating \$2,057,000 applicable to the years prior to 1968 have not been recorded.

6. CAPITAL STOCK

Authorized	Issued		
235,415	95,415	Preference shares with a par value of \$25 each, issuable in series—6%, cumulative, redeemable, preference shares, Series A.....	\$ 2,385,375
7,500,000	3,872,410	Common shares without par value.....	10,064,484
			<u>\$12,449,859</u>

Preference Shares

2,260 Preference shares were purchased for cancellation during the year and the authorized and issued share capital reduced accordingly.

The preference shares, Series A, are redeemable at the option of the company at \$26 per share up to and including June 1, 1972 and thereafter at reducing amounts.

Common Shares

18,875 Common shares were issued during the year for an aggregate consideration of \$66,063; of these shares, 18,750 were issued to holders of the 1960 share purchase warrants and 125 were issued to holders of the 1966 share purchase warrants.

During the year, the company obtained supplementary letters patent increasing the authorized capital stock by 2,500,000 common shares without par value.

844,655 Common shares are reserved for issuance against the exercise of share purchase warrants as follows:

Shares Reserved	Description of Warrant	Exercise Price Per Share	Expiry Date
97,155	1966 Share purchase warrants issued with preference shares, Series A.....	\$3.50	June 30, 1976
7,500	1968 Share purchase warrants issued with 1988 series bonds.....	3.50	June 30, 1976
40,000	1969 Share purchase warrants issued or to be issued with 1991 series bonds; warrants for 20,000 common shares were issued at September 30, 1970.....	7.25	December 31, 1976
700,000	Debenture share purchase warrants issued with sinking fund debentures, Series A.....	6.00	October 31, 1976

20,000 Common shares are reserved for issuance under stock options granted to executives of the company at \$4.50 per share, exercisable not later than July 31, 1974.

7. DIVIDEND RESTRICTIONS

The Trust Deeds and Trust Indenture under which the First Mortgage Bonds and Sinking Fund Debentures were issued, contain certain restrictions on the declaration or payment of dividends on common shares so long as any of the said bonds or debentures are outstanding.

The conditions attached to the preference shares, Series A, contain certain restrictions on the declaration or payment of dividends on the common shares.

8. INTEREST

Interest expense includes the following:

	1970	1969
Interest on long-term debt.....	\$3,330,246	\$2,527,032
Interest on bank loans and other indebtedness.....	823,266	239,272
	<u>4,153,512</u>	<u>2,766,304</u>
Less: Interest applicable to properties under development during the year.....	651,445	364,924
	<u>3,502,067</u>	<u>2,401,380</u>
Less: Income from short-term investments.....	835,210	386,294
Interest expense—net.....	<u>\$2,666,857</u>	<u>\$2,015,086</u>

9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate remuneration paid during the year to directors and senior officers of the company (as defined in the Ontario Corporations Act) amounted to \$124,571 (\$126,075 in 1969).

10. LAND LEASES

The company is committed under land leases on two revenue-producing properties which mature in the years 2026 and 2058, respectively. The minimum annual rental obligation under such leases aggregates \$56,881 to the year 2026 and \$8,881 thereafter.

11. SUBSEQUENT EVENTS

On October 1, 1970, the company acquired all of the outstanding shares of United Kingdom Properties Limited for an aggregate consideration of \$2,000,000 and in settlement thereof issued 400,000 common shares valued at \$5 per share.

12. CONTINGENT LIABILITY

The company has jointly and severally guaranteed a bank loan and mortgage draws aggregating \$3,650,000 related to a building under construction by an affiliated company.

M.E.P.C. CANADIAN PROPERTIES LIMITED

partial list of tenants

AIR CANADA • ALBERTA, PROVINCE OF • BANK OF BRITISH COLUMBIA • BANK OF MONTREAL • BANK OF NOVA SCOTIA • BANK OF TOKYO • BRITISH COLUMBIA, PROVINCE OF • BOEING OF CANADA LTD. • BURLINGTON CARPET MILLS (CANADA) LIMITED • BURNS BROTHERS AND DENTON LIMITED • THE CANADA COUNCIL • CANADA, GOVERNMENT OF • CANADA LIFE ASSURANCE COMPANY • CANADA SAFEWAY LIMITED • CANADA PERMANENT TRUST COMPANY • THE CANADA TRUST COMPANY • CANADA WIRE AND CABLE COMPANY LIMITED • CANADIAN GENERAL ELECTRIC COMPANY LIMITED • CANADIAN IMPERIAL BANK OF COMMERCE • CANADIAN NATIONAL RAILWAY COMPANY • CANADIAN PREMIER LIFE INSURANCE COMPANY • CANADIAN SUPERIOR OIL LIMITED • CANADIAN WESTINGHOUSE CO. LTD. • CAPITOL RECORDS (CANADA) LIMITED • CHRYSLER AIR TEMP CANADA LTD. • COLOMBIA, GOVERNMENT OF • CONFEDERATION LIFE ASSOCIATION • CONTINENTAL INSURANCE COMPANY • CROWN LIFE INSURANCE CO. • D'ALLAIRD'S LIMITED • DOMINION STORES LIMITED • DOW CORNING SILICONES INTER AMERICA LIMITED • THE T. EATON COMPANY LIMITED • EQUITABLE LIFE INSURANCE COMPANY OF CANADA • EXCELSIOR LIFE INSURANCE COMPANY • FIDELITY LIFE ASSURANCE CO. • FISCHER BEARINGS CANADA LIMITED • THE GREAT WEST LIFE ASSURANCE COMPANY • GREENSHIELDS LTD. • GUARDIAN INSURANCE COMPANY OF CANADA • GULF OIL CANADA LIMITED • HONEYWELL CONTROLS LIMITED • THE IMPERIAL LIFE ASSURANCE COMPANY OF CANADA • IMPERIAL OIL LIMITED • I.B.M. CANADA LIMITED — I.B.M. CANADA LIMITÉE • THE INTERNATIONAL NICKEL COMPANY OF CANADA LIMITED • INVESTORS SYNDICATE LIMITED • JAMES RICHARDSON & SONS • KAISER ALUMINUM CHEMICAL CANADA LIMITED • KELLY, DOUGLAS & COMPANY, LIMITED • K.L.M. ROYAL DUTCH AIRLINES • KATES, PEAT MARWICK & COMPANY • LAURENTIDE FINANCIAL CORPORATION LTD. • LEVER BROS. LIMITED • LONGMANS CANADA LIMITED • MANUFACTURERS LIFE INSURANCE COMPANY • MIDLAND-OSLER SECURITIES LIMITED • MANITOBA, PROVINCE OF • MacINTYRE PORCUPINE MINES LTD. • McCONNELL EASTMAN LIMITED • MERRILL LYNCH, PIERCE, FENNER & SMITH • MINNESOTA MINING & MANUFACTURING OF CANADA LIMITED • MONTREAL LIFE INSURANCE COMPANY • NEW ZEALAND, GOVERNMENT OF • NORTH AMERICAN LIFE ASSURANCE COMPANY • NORWAY, GOVERNMENT OF THE KINGDOM OF • NOVA SCOTIA, PROVINCE OF • OTIS ELEVATOR CO. LTD. • PACIFIC BREWERS WAREHOUSING LIMITED • PACIFIC PETROLEUMS LIMITED • PEPSI-COLA CANADA LIMITED • PFIZER COMPANY LTD. • PHILCO FORD OF CANADA LIMITED • PITNEY-BOWES OF CANADA LIMITED • P & O LINES (NORTH AMERICA) INC. • PRICE WATERHOUSE & CO. • PRUDENTIAL INSURANCE COMPANY OF AMERICA • QUEBEC, PROVINCE OF • ROYAL BANK OF CANADA • ROYALITE OIL COMPANY LIMITED • ROYAL TRUST COMPANY LIMITED • THE SOVEREIGN LIFE INSURANCE COMPANY OF CANADA • W. H. SMITH (CANADA) LIMITED • THE STEEL COMPANY OF CANADA LIMITED • SUN LIFE ASSURANCE COMPANY OF CANADA • SWEDEN, GOVERNMENT OF THE KINGDOM OF • THE TORONTO-DOMINION BANK • UNION ACCEPTANCE CORPORATION • VENEZUELA, GOVERNMENT OF • VERSAFOOD SERVICES LIMITED • WAWANESA MUTUAL INSURANCE CO. • WARNER LAMBERT CANADA LIMITED • WELDWOOD OF CANADA SALES LIMITED • WESTERN GROCERS LIMITED • WESTMOUNT LIFE INSURANCE COMPANY • WOOD, GUNDY & COMPANY LIMITED • XEROX OF CANADA LTD.



INDUSTRIAL
AND
COMMERCIAL CENTRES



Toronto



Vancouver



Toronto



Edmonton



head office: 27 Wellesley Street East, Toronto 280, Ontario.

REGIONAL OFFICES:

Eastern Region *Vice-President: C. H. Goody*

Eastern Canada Branch *710 Place d'Youville, Quebec City, P.Q.
R. W. Heslop, F.R.I.*

Ottawa Branch *140 Wellington Street, Ottawa, Ontario
M. E. Billingham, A.R.I.C.S.*

Toronto Branch *27 Wellesley Street East, Toronto, Ontario
G. Church, A.R.I.C.S.*

Central Region *Vice-President: R. A. Greiner, F.R.I.*

Winnipeg Branch *379 Broadway Avenue, Winnipeg, Manitoba
A. K. Stephens*

Calgary Branch *627 6th Avenue S.W., Calgary, Alberta
T. F. Prete*

Western Region *Vice-President: P. W. Skynner, F.R.I.*

Vancouver Branch *1200 West Pender Street, Vancouver,
British Columbia
R. A. Adam, W. A. Bourke*

Victoria Branch *880 Douglas Street, Victoria, British Columbia
J. W. E. Hayes*

Subsidiary and Associated Companies:

Hanover Estates Limited

M.E.P.C. Maritime Properties Limited

Mepcon Estates Limited

M.E.P.C. Pacific Properties Limited

Portesville Limitée

La Société Immobilière Mirabeau Limitée

Turf Development Company Limited

M.E.P.C. Western Properties Limited

Mepvan Projects

Edifice Montcalm Inc.

The activities of M.E.P.C. Canadian Properties Limited and its subsidiary and associated companies are entirely related to property investment and development.





CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION
OF FUNDS

FOR THE SIX MONTHS ENDED MARCH 31, 1970 (Unaudited)

(with comparative figures for the six months ended March 31, 1969)

	1970	1969
OPERATIONS		
Net Income for the period	\$ 532,860	\$ 458,583
Depreciation and Amortization	270,959	238,686
Deferred Income Taxes	533,000	440,000
	<u>1,336,819</u>	<u>1,137,269</u>
Annual payments on long-term debt	492,322	573,620
	<u>844,497</u>	<u>563,649</u>
Funds available from operations	844,497	563,649
Dividends paid	265,774	266,848
	<u>578,723</u>	<u>296,801</u>
Funds available from operations for re-investment	578,723	296,801
NEW FINANCINGS		
Additional long-term debt	385,000	834,688
Issues of Capital Stock	87	129,806
Increase/(Decrease) in Minority interest in subsidiary company	4,480	(9,954)
Increase/(Decrease) in Bank indebtedness and other net current obligations	3,512,738	(1,007,498)
	<u>4,481,028</u>	<u>243,843</u>
REPRESENTED BY		
Redemption of Preference Shares	25,625	10,280
Increased investment in properties	5,017,390	184,508
Decreased investment in affiliated companies mortgages and other secured receivables	(52,436)	(13,565)
Increase/(Decrease) in other assets	(509,551)	62,620
	<u>\$4,481,028</u>	<u>\$ 243,843</u>

M.E.P.C. CANADIAN PROPERTIES LIMITED

BRANCH OFFICES

Eastern Canada 710 Place d'Youville,
Québec City, Québec

Ottawa 140 Wellington Street,
Ottawa, Ontario

Toronto 365 Bay Street,
Toronto, Ontario

Winnipeg 338 Broadway Avenue,
Winnipeg, Manitoba

Calgary 627-6th Avenue S.W.
Calgary, Alberta

Vancouver 1200 West Pender Street,
Vancouver,
British Columbia

Victoria 880 Douglas Street
Victoria,
British Columbia

MANAGER

R. W. Heslop, F.R.I.

M. E. Billingham, A.R.I.C.S.

G. Church, A.R.I.C.S.

A. K. Stephens

T. F. Prete

R. A. Adam

J. W. E. Hayes

The Company's policy is mainly the acquisition or development of income-producing real estate, predominately in the industrial and commercial fields, for long-term retention and appreciation.

The Company's activities include:

- 1) Acquisition of existing real estate investments.
- 2) Acquisition and lease-back.
- 3) Development and lease-back.
- 4) Site acquisition and its subsequent development.
- 5) Partnership ventures.

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**M.E.P.C.
CANADIAN
PROPERTIES
LIMITED**

INTERIM REPORT
TO THE SHAREHOLDERS
FOR THE SIX MONTHS
ENDED MARCH 31, 1970

Board of Directors

C. E. M. Hardie, C.B.E., F.C.A.
Metropolitan Estate and
Property Corporation Limited,
London, England

W. G. Tucker, Q.C.
Fraser & Beatty,
Toronto, Ontario

Peter A. Anker, F.R.I.C.S.
M.E.P.C. Canadian Properties
Limited,
Toronto, Ontario

P. A. Cumyn
Financial Consultant,
Montreal, Québec

Gordon C. Gray, C.A.
Toronto Dominion Centre
Limited,
Toronto, Ontario

The Hon. Angus Ogilvy
Company Director,
London, England

A. Ross Poyntz, F.C.I.A.
The Imperial Life Assurance
Company of Canada,
Toronto, Ontario

R. H. Sheppard, F.A.I.
Metropolitan Estate and
Property Corporation Limited,
London, England

D. N. Stoker
Nesbitt, Thomson and Company
Limited,
Montreal, Québec

D. A. Thompson, Q.C.
Thompson, Dilts and Company,
Winnipeg, Manitoba

Executive Officers

C. E. M. Hardie, C.B.E., F.C.A.
Chairman

W. G. Tucker, Q.C.
Deputy Chairman

P. A. Anker, F.R.I.C.S.
President and General Manager

M. H. Morgan, A.A.I., F.R.I.
Vice-President, Administration

R. A. Greiner, F.R.I.
Vice-President, Central Region

P. W. Skynner, F.R.I.
Vice-President, Western Region

G. E. A. Pacaud, LL.B.
Secretary/Solicitor

R. H. D. King, C.A., A.C.A.
Treasurer

Head Office

365 Bay Street,
Toronto 1, Ontario

Shares Listed

The Toronto Stock Exchange

To The Shareholders, M.E.P.C. CANADIAN PROPERTIES LIMITED

The past six months have shown another satisfactory growth in earnings. The net income for the six months ended March 31st, 1970, has amounted to \$532,860 or approximately 13.8¢ per share—an increase of over 16% when compared to the 6 months ended March 31st, 1969.

As previously reported in September, 1969, the Company adopted the sinking fund method of depreciation and therefore we have restated the accounts for the six months ended March 31, 1969, to reflect depreciation on this basis.

Whilst with so many rapid changes in governmental legislation and world economic conditions taking place it is often dangerous to make any forecast, it would seem that subject to a reasonable continuation of current conditions, operations for the next six months of the Company should also be most satisfactory.

The construction of our major developments is proceeding satisfactorily, and in all cases buildings have been topped off. With the exception of the Main Industrial Centre in Vancouver, we do not anticipate any income from these projects during the current fiscal year, but following completion in the Fall, expect almost a full year's revenue during the next fiscal year.

On the other hand, some very attractive investments have appeared on the market during the past few months, and the Company has been able to purchase several of these buildings under satisfactory terms.

It is the intention of the Directors to notify shareholders of a special meeting of shareholders to be held shortly, at which time the Directors will ask for consent to increase the authorized capital of the Company from 5,000,000 to 7,500,000 shares. In today's difficult financial market it is sometimes necessary to make some form of equity available when raising substantial sums of money. Although nothing along these lines is contemplated by your Company at the present time, an increase in authorized capital will give your Directors the freedom to negotiate at any time.

Recent landlord and tenant legislation has not affected M.E.P.C. to any large extent because of our relatively insignificant holdings in residential real estate.

Your Company has submitted its own brief to the Senate and Commons Committee studying the White Paper on Tax Reform, and also participated in the briefs submitted by the U.D.I. and the Canadian Association of Public Real Estate Companies. Because of the vagueness of some portions of the White Paper on Taxation it is hard to determine, at this stage, the full impact of the White Paper on your Company. Your Directors, nevertheless, feel that not only would the real estate industry as a whole suffer if the provisions of the White Paper were fully implemented, but it could also lead to a real shortage of commercial and industrial accommodation (as well as residential) creating higher rents and hardships for everyone.

However, there is no doubt that at this time there is still a steady demand for prime commercial and industrial real estate across the country, and your Company continues to enjoy a very low vacancy rate.

May 20, 1970

P. A. ANKER

President

CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED MARCH 31, 1970 (Unaudited)

(with comparative figures for the six months ended March 31, 1969)

	1970	1969
Rental Income	\$3,759,594	\$3,035,081
Less Direct Property Expenses	994,151	737,591
Property Administration	68,765	69,901
	<u>1,062,916</u>	<u>807,492</u>
Net Rental Income	2,696,678	2,227,589
Less Interest on Long-Term Debt	1,627,505	1,121,194
Interest Income	(360,907)	(105,717)
	<u>1,266,598</u>	<u>1,015,477</u>
Administration	118,779	113,508
Sundry Expense	36,360	18,695
	<u>1,421,737</u>	<u>1,147,680</u>
Net Operating Profit	1,274,941	1,079,909
Depreciation of Buildings	196,319	179,319
Net Income before the following	1,078,622	900,590
Gain on disposal of investment in subsidiary company	—	25,989
Net Income before Income Taxes	1,078,622	926,579
Provision for Income Taxes		
Current \$ 8,000		25,000
Deferred 533,000		440,000
	<u>541,000</u>	<u>465,000</u>
	537,622	461,579
Minority Interest	4,762	2,996
Net Income for Six Months	532,860	458,583
Earnings per share	13.8¢	11.9¢

NOTES:

i) Depreciation

In 1969 the Company adopted the sinking fund method of depreciating buildings in lieu of the two per cent straight-line method used in prior years, and the 1969 accounts have been restated to reflect depreciation on this basis. Under the sinking fund method an amount increasing at the rate of six per cent compounded annually is charged to income so as to fully depreciate the buildings based on a 40-year life. As a result of this change the depreciation charge has been reduced in 1969 by \$156,199.

ii) Expenses

The comparative figures for 1969 have been restated to give effect to certain reclassification of expenses in 1970.